C.

Tax on Income from Personal Exertion.

On all incomes over £200 derived from personal exertion, a tax—

At the rate of 3d for every £1 sterling of the taxable amount thereof up to £1200; and

At the rate of 4½d for every £1 sterling of the taxable amount thereof over £1200 and up to £2200; and

At the rate of 6d for every £1 sterling of the taxable amount thereof over £2200.

D.

Tax on Income the Produce of Property.

On all incomes over £200 the produce of property, a tax—

At the rate of 6d for every £1 sterling of the taxable amount thereof up to £1200; and

At the rate of 9d for every £1 sterling of the taxable amount thereof over £1200 and up to £2200; and

At the rate of 1s for every £1 sterling of the taxable amount thereof over £2200.

Where a person is liable to pay tax on income from personal exertion and also from property he shall be entitled to one deduction only up to £200 as aforesaid.

NOTES.—This tax is not payable by any owner of land in respect of income from the land if he is otherwise charged in respect of such land under these resolutions.

A mortgagee is chargeable with this tax, but will receive credit for whatever land tax he pays as mortgagee in respect of the unimproved value of the land.

All these taxes to be subject to exemptions to be set out in Bill.

BELGIAN MONETARY LEGISLATION.

THE reason for the continued existence of the monetary league known as the Latin Union is not generally understood. Among the countries composing the Union it is an undisguised fact that the difficulties which would result from a dissolution of it are the only valid reasons for a perpetuation of the connection. This is due to the fact that by the treaty of 1885, which is still in full force, the redemption by every country of its own coin was made a fundamental prerequisite to separation from the Union.[1] Although these difficulties would be present in a greater or less degree to all the countries included in the Union except France, they would be particularly great in the case of Belgium. Belgium is in many respects subject to peculiar conditions. The key to an understanding of these is furnished by her monetary history

[1] Cf. *Conférence Monétaire entre la Belgique, la France, l'Italie, la Suisse, et la Grèce, Procés-Verbaux,* 1885, for treaty and arrangements.

prior to 1865, the year in which she was led to suggest the formation of the Latin Union.

The political independence acquired by Belgium in 1831, at the time of her separation from Holland, was not complete without a corresponding change in her monetary system. For years her industrial relations with France had been of the most intimate nature and it was not her policy to render the relationship less cordial. It was thus natural that when Belgium abolished the old Dutch coinage in 1832, she should adopt in its place that of France as being the one likely to be most efficient. By the law of 1832 Belgium became, from a monetary point of view, a "satellite of France."[1] By that law she adopted in its entirety the monetary system of France[2] and even went so far as to give to the French gold pieces of 20 and 40 francs and to the French silver five-franc pieces the quality of legal tender in Belgium. The essential stipulations of the law were briefly these:

(1) Five grams of silver nine-tenths fine constituted the monetary unit which was called the franc.

(2) The subsidiary coins, also nine-tenths fine, were to be the same as those of France.

(3) The national gold coin was to be the 20-franc piece and one kilogram of gold was to be coined into 155 of these pieces.

These provisions were precisely those of the French law of 1803. Whether that law was bimetallic in its character or not, there resulted from its operation to 1847 in Belgium, as in France, an exclusively silver circulation.[3] During the years 1832–1847, it operated uninterruptedly

[1] *Report United States Monetary Commission*, 1876, p. 144.

[2] *Journal des Économistes*, 1859, vol. ii. part 2, p. 107.

[3] Belgium," said M. Horn (*Journal des Économistes*, 1859, vol. ii. part 2, p. 107), "had for fifteen years allowed the clause of the monetary law of 1832 which authorized the emission of gold coins of 20 and 40 francs, to be a dead letter; silver alone performed the function of money. The law of 1832 had indeed given a legal circulation to the French gold coin, but the premium which at that time existed on this coin, because its market value exceeded its mint value ($15\frac{1}{2} \times$ its weight in silver) prevented it from circulating in Belgium, as it was prevented from circulating even in France."

At the official *Conférence Belge instituée pour l'Examen de la Question Monétaire* (*Documents Relatifs à la Question Monétaire recueillis par* M. J. MALOU, *Bruxelles*, 1874, p. 263), M. Malou, detailing the monetary history of Belgium, said: "It has on various occasions been proved that the law of Germinal an. XI established in reality the single silver standard." M. Pirmez, speaking on the same subject said: "In fact the double standard never exists; it is replaced by the alternating standard since people always pay in silver when gold is at a premium and in gold when silver is dear."

in Belgium, and under it 25.4 millions of francs in silver were coined, but not a single gold piece.[1] It only remains to say that the Dutch 10-florin gold pieces had, during these fifteen years, continued to have a legal-tender quality in Belgium, by weight, at the equivalence of 21 francs 16 centimes in silver, and we have a complete view of the legal-tender currency of Belgium from 1832–1847. To recapitulate, the various legal standard coins were these:

(1) Belgian silver coins.
(2) Belgian gold pieces of 20 and 40 francs.
(3) Dutch gold 10-florin pieces.
(4) French gold pieces of 20 and 40 francs.
(5) French silver five-franc pieces.

Of these categories the second, as we have seen, never actually existed. The scantiness of the Belgian exports and imports of gold leads us to the belief that Dutch and French gold had a very limited circulation in Belgium, while the inadequacy of the silver coinage (25.4 m) together with the comparatively large import figures for silver seem to justify us in the opinion that French silver had an extended circulation there.

A new monetary era opened for Belgium in 1847. The scarcity of money, or the patriotic desire for a national gold coinage, or a belief that an element of gold in the currency would be of advantage to business (if combined with the silver currency) led the Belgian Chambers to adopt a succession of measures looking to the introduction of gold. The legislation seems to have been of a very haphazard character. The law of March 31, 1847, provided for a national legal-tender gold coinage of 10 and 25-franc pieces. It was ordered that the 25-franc piece nine-tenths fine should weigh 7.91556 grams. This was equivalent to a new mint ratio of 1 : 15.83 and was, therefore, a rather striking departure from the old "bimetallic" ratio of 1 : 15.5. The gold coinage, however, was limited to 20 millions of francs, and the minting of the 20-franc piece at the old ratio was not prohibited. Under this law there were coined, during the three years succeeding its passage, 14.6 million francs in gold, while the coinage of silver under the law of 1832 during the same years aggregated 80.6 millions. On March 4, 1848, Belgium attempted to impose the legal-tender

[1] *Documents Relatifs à la Question Monétaire recueillis par* M. J. MALOU, Bruxelles, 1874, pp. 50–51; also, *Bulletin de Statisque et de Législation Comparée*, 1878, vol. i. p. 324.

quality on the English sovereign, giving to it a legal equivalence of 25 francs 50 centimes when its market value was but 25 francs 22.5 centimes, a premium of about 1.1 per cent. As the English sovereign weighed 7.981 grams and had a fineness of 916 thousandths, the law of March 4th practically established a third ratio of 1: 15.69666. Under this law Belgium seems to have imported English sovereigns to the value of about 30 million francs. Such were the methods of Belgium's attempt to secure a gold currency.

It will now be necessary to go back a year and consider the course of extra-legal monetary events. We have already noted that Dutch 10-florin and French 20 and 40-franc pieces were legal tender in Belgium, but had had only a very limited circulation up to 1847. In that year two events occurred which led to a change in this respect. November 26th Holland demonetized gold, and the 10-florin pieces which were liberated in considerable amounts flowed into Belgium. In that year France likewise was just beginning to feel the effects of the increased production of Russian gold which had begun about 1840. France coined an increased quantity of gold which took the place of a corresponding amount of silver. As Belgium gave the legal-tender quality to the French 20 and 40-franc pieces, she was supplied with some of the new French gold coin about the same time that gold was being so largely imported from Holland, thus obtaining a supply of gold from two distinct sources.

In 1849, then, the gold monetary system of Belgium included the following different components:

(1) The French 20 and 40-franc pieces representing the old ratio of 1: 15.5.
(2) The English sovereign representing the ratio of 1: 15.83.
(3) The Dutch 10-florin piece admitted at the equivalence of 21 francs 16 centimes.
(4) The native Belgian 10 and 25-franc pieces representing the ratio of 1: 15.69666.

Belgium, however, had hardly taken these measures to secure a gold coinage when the Chambers became frightened, either at the large amounts of gold which were entering the country, or at the fact that French gold pieces which had always stood at a premium of 1.2 or 1.5 per cent. prior to 1848, lost about 2 per cent. of their original value in 1850. September 28, 1849, the Chambers passed a law whereby the English sovereign was deprived of its legal-tender quality. The

sovereigns seem to have been redeemed by the government at their face value; at all events an amount of them equal in value to 18.2 millions of francs were withdrawn "through the agency of the public treasury."[1] The direful predictions concerning the future in store for gold as a money metal, which had all along been made by the economists were now renewed, and the Chambers, yielding to their own fears as well as to popular opinion, passed a law, June 4, 1850, whereby the Dutch 10-florin gold pieces were also deprived of their legal-tender quality. The government, however, continued for eight days to receive them in payment of taxes at the rate of 20 francs 90 centimes. As their former equivalence had been 21 francs 22.5 centimes in the market and 21 francs 50 centimes as a legal tender in payment of debts, it is easily seen that the rate at which the government received them was low enough to render an importation of these coins for payment to the government unprofitable. The rate at which the government continued to receive them was in fact pretty nearly equal to their market value at the lowered ratio of gold to silver. On December 28, 1850, French gold was in the same way deprived of its legal-tender quality by the Belgian law of that date.[2] At the same time silver was recognized as the sole standard, "the Chambers voted the complete suppression of the gold currency,"[3] and the coinage of gold completely ceased. The last measure of the series was the royal decree of 1854 which demonetized the gold coins struck under the law of March 31, 1847, and about 12 millions of francs of these coins seem to have been received by the treasury in payment of taxes. This left only about 2.6 millions still presumably in circulation.

This ended the second period of Belgium's monetary history subsequent to 1832. The series of measures passed by the Chambers seemed to many entirely wise. Certainly it coincided with the trend of events. In 1850 Switzerland, Naples, Spain, India, and other states also pursued the policy of demonetization of gold. Nevertheless, the policy did not result in securing for Belgium monetary peace.

The third period of Belgium's monetary history opened in 1851. She was now on the silver basis. French silver five-franc pieces were still legal tender in Belgium, while the Belgian gold coins had ceased to be struck, and those gold coins still in circulation were soon to be

[1] *Documents Relatifs à la Question Monétaire recueillis par* M. J. Malou, pp. 262–3.

[2] *Journal des Économistes*, 1859, vol. ii. part 2, pp. 107 *et seq.*

[3] *Report United States Monetary Commission*, 1876, pp. 145 *et seq.*

retired (see above). In order to understand the events of the decade 1850–60 in Belgium it is necessary to recollect clearly the nature and condition of the stocks of money on hand in both France and Belgium. Belgium had coined between 1832 and 1853 about 160 million francs in silver and about 14.6 million francs in gold.[1] It is likely that this stock of silver remained almost all in existence as coin in 1853 although some of it had crossed the frontier into France and a much larger amount of French silver had, in the course of trade, been brought into Belgium.[2] The Belgium stock of silver was not much worn and was, in general, in excellent condition. France, like Belgium, still had a circulation largely composed of silver, but unlike the latter this circulation contained an element of much-worn and abraded coin. France's best coin circulated in the provinces, where it did not undergo much wear; while the circulation of Paris, on the contrary, contained the oldest and poorest coin in the country. It is only necessary to recall that the Belgian coin was struck under the same conditions of weight and fineness as the French, so that the face values of the two were precisely equivalent, and we can completely understand subsequent events. The problem now about to be solved was this: Was it possible for Belgium to maintain a single silver standard beside the French nominally double, but really single gold standard?

The course of events in France is familiar. The process of displacing silver with gold had begun, to some extent, in 1847, and even so early as that it had had an obscure influence on Belgium. We have already noted that between 1832 and 1848 the Belgian silver coinage had amounted to 25.6 millions, that there had been no gold coinage, and that between 1847 and 1850 the coinage of silver had leaped to 80.6 millions, or more than three times its amount for the preceding fifteen years, although the period from 1847–50 was the time when Belgium was making strenuous and measurably successful efforts to secure a gold currency. In 1847, when the Russian gold began to influence French coinage the silver coinage in France was reduced in volume. Belgium could no longer rely on French silver coin for her circulation, and was forced to resort to her own mint. Hence the increase in Belgian silver coinage subsequent to 1847. An abundant silver coinage continued to be minted up to 1854. By that time the value of gold had sunk sufficiently low to render a further coinage of

[1] *Bulletin de Statistique et de Legislation Comparée*, 1878, vol. i. p. 324.

[2] *Documents Relatifs à la Question Monétaire recueillis par* M. J. Malou, pp. 176, 177.

silver unprofitable in Belgium, and it therefore practically ceased. Silver, however, must be had for necessary payments and for the daily use of a population not so wealthy as the French. The reason why the silver coinage ceased after 1853 was this: French silver five-franc pieces could be bought in France for gold, shipped to Belgium, and used for the needs of business at a lower cost than that at which the Belgian five-franc pieces could be struck. Owing to this simple commercial fact there was practically no silver coinage in Belgium from 1854–65, only about 263,000 francs being minted (and that in small fractional coin). But the process did not cease with merely supplying Belgium's needs for silver at a lower cost than that at which she could herself supply them through her mint. This was only the beginning of the movement of silver from France into Belgium. France's silver circulation was being collected, melted, and exported by the speculators. In this operation the newer and less worn coins naturally were the first to disappear. As they became scarce, recourse was had to Belgium whither many of the French coins had been drawn and where the native circulation was not much worn. French gold was no longer legal tender in Belgium. But as much of the French silver coin had lost fully 8 per cent. of its value by wear, it was a very profitable operation to export this light-weight coin to Belgium, where it was still legal tender, exchange it for heavy Belgian coin, melt the latter, and re-export it to Holland and Germany, the two principal countries of the single silver standard. In this way the better part of the silver circulation of Belgium was gradually exchanged for the abraded French coin. In 1850 the import of gold and silver into Belgium from France had been but six millions of francs. In 1851 this figure rose to 20.1 millions, and in 1854 to 52 millions; while in 1859 the imports of silver alone were 76.3 and those of gold 2.3 millions.[1] Although the import of gold from France was nearly always largely in excess of the export, yet the import of silver was so far in excess of the import of gold that it is evident that not gold primarily but the old worn silver coinage of France was driving out the Belgian silver. As the operation went on and gold fell still somewhat lower, the very worst of the French silver was gradually drawn into Belgium. By 1859 the currency of Belgium was in a bad condition, and two commissions, established to investigate the monetary problem, reported that the loss from

[1] *Documents Relatifs à la Question Monétaire recueillis par* M. J. MALOU; pp. 176, 177.

wear on the French silver coin varied from 3 fr. 77 c. to 8 fr. 40 c. per 1000 francs, and in some cases was even more serious. In 1859 it was estimated that the silver circulation of Belgium, consisting almost entirely of much-worn pieces, was composed of 70 per cent. French and 30 per cent. Belgian coin.

Belgium, however, had yet to experience greater difficulties than ever before. Owing to the increasing premium on silver, even the abraded coins began to disappear and the lack of an adequate currency was severely felt. To meet this emergency French gold, which had already been coming in in considerable amounts, was imported in increased quantities. Although this gold was of assistance as a medium of exchange it nevertheless occasioned two kinds of annoyance to the people:

(1) It was not a legal tender and had no debt-paying power.

(2) Its market value was not equivalent to the face value of the silver currency at the existing ratio of gold to silver.

The first of these circumstances was a great impediment to business. The second was especially annoying to the ignorant population. Accustomed to consider four silver five-franc pieces equivalent in value to a gold 20-franc piece, they were easily induced to make the exchange, finding gold more convenient to carry or hoard; but they were then enraged to find their gold subjected to a heavy discount by the "arbitragists." The total circulation of Belgium was now about 87 per cent. French and 13 per cent. Belgian coin (compare composition of *silver* circulation as given above). A fluctuation in the ratio of gold to silver drew back into France in 1860 some of the French gold coin then circulating in Belgium. This brought about a return of the former lack of currency and in response to popular demand the Chambers, against the will of the finance minister, passed a law, June 4, 1861, by which the legal-tender quality was once more bestowed upon French gold pieces and decreed the coinage of gold conformably to the French system.[1] The hope was that this would put an end

[1] The excitement over the measure was quite intense. M. Frére-Orban, the finance minister, resigned his position. The scientific exponents of monetary policy apparently had little faith in the proposed law. They were divided into two parties, one favoring the gold standard and the other bimetallism. The ideas of the gold party were thus expressed by M. Nothomb in the Belgian House of Representatives, March 1, 1861: "For us the future has another solution, namely, that which Switzerland has adopted—the adoption of foreign moneys at their nominal value with a subsidiary coinage eight-tenths fine. For the moment that is my monetary ideal; I foresee in it

to the operations of the money speculators and provide a permanent place for French gold in the Belgian monetary system.

The law did, perhaps, have a tendency to check monetary speculation within Belgium but this was effected at a heavy cost, for the new quasi-bimetallism at once subjected Belgium to an alternating standard of value. Gold was not destined to fall much lower, and the abraded silver coins were so reduced in value that they were not likely to disappear by a steady process of exportation. Temporary fluctuations therefore were the principal reliance of the speculator. The alternating standard manifested itself (1) in the disturbance of general banking interests, (2) in the progressive deterioration of the currency and (3) in the losses thereby entailed upon business men. The main injury to the banking interests was the heavy strain to which the reserves of the *Banque Nationale* were subjected. It is quite possible that the geographical position of Belgium had an influence in intensifying the injurious action of an alternating standard.[1] Surrounded as she was by countries some of which had a single gold and some a single silver standard, while the actual currencies frequently corresponded to neither, Belgium was in a position to feel the disastrous consequences of her alternating standard most keenly.[2]

Whenever a speculator found that the price of gold and silver was such that he could make a profit by shipping either metal to, or withdrawing it from, any of these countries of differing standards he made the bank of Belgium the basis of operations, thus depleting its reserves or causing a plethora of coin as the case might be, as well as setting on foot a tendency to scarcity or redundancy of the circulating medium.

monetary unity between France, Switzerland, Belgium, and probably Italy herself." (*Journal des Économistes*, 1886, vol. i. p. 285.) Had this suggestion been acted upon the Belgian delegate, M. Pirmez, would have had no occasion to exclaim (*Conf. Mon. entre la Belgique, la France, etc., Procès-Verbaux*, 1885, p. 104), that his country was the *victim* of the Latin union.

[1] "Belgium," remarked M. Kreglinger, in a speech delivered at the opening session of the first convention of the Latin Union, "being placed between France where gold has become in fact the real monetary standard, England where gold is in law and fact the sole standard, Holland where silver is in law and fact also the sole monetary metal, and Germany where silver is the sole legal standard, but where gold nevertheless obtains a very important effective circulation, is naturally called to serve as ground of union between these different countries for their monetary transactions." *Conférence Monétaire entre la Belgique, la France, etc., Procès-Verbaux; Séance* 1, 1865, pp. 21–22.

[2] *Conférence Monétaire entre la France, la Belgique, l'Italie et la Suisse; Séance* 1, 1865.

In 1861 the gold reserve of the *Banque Nationale* sank suddenly from 22 to 7 millions and the silver reserve rose as sharply from 11.5 to 17 millions, while the rate of discount fluctuated from 4.6 to 3 per cent. In December, 1862, the gold reserve was 17, in the following February it had sunk to nine, and in the April succeeding it was five millions, while during the same time the reserve of silver five-franc pieces had risen but one million, and about the same time the bank was forced temporarily to cease payment in silver five-franc pieces,[1] for a sudden contrary movement reduced the reserve of silver five-franc pieces first to five and then to two millions, and the rate of discount fluctuated between 3 and 6 per cent., which were the extreme limits.[2] In 1865 the rate of discount rose from 4 to 5.8 per cent., following a corresponding movement in the reserve. During all this period the normal rate was from 2.5 to 3 per cent., so that the inconveniences undergone by the business public may readily be appreciated. Thus the reserves of the bank were now depleted on the gold and now on the silver side and sometimes on both. This was rendered even worse by the method of restoring the reserve. A delay was usually unavoidable, and this was protracted as long as possible, until the rate of exchange was reversed, when it was profitable to send back the coin just withdrawn.

The monetary system of Belgium also subjected merchants to considerable losses in another way. If it was necessary to pay a debt in a neighboring country of the silver standard, as Holland, for instance, the Belgian debtor found himself obliged to pay in silver a sum sufficent to cover the loss on the worn coin in addition to the amount of the debt. On the other hand he was at any time likely to be paid in much worn silver from which the less abraded pieces had been carefully sorted. This double loss must likewise be incurred in sending gold abroad to pay debts in states where the gold standard prevailed. In this state of things an additional circumstance began to have a deranging effect. The heavy demand for silver for export to the East during the two years just prior to 1865 bade fair finally to deprive Belgium of what silver she had left.

With these experiences behind her Belgium suggested to France in 1865 the formation of the Latin Union, and in accordance with the

[1] *English Report on Depreciation of Silver*, 1876, Appendix, pp. 102–106.

[2] *Conférence Monétaire entre la Belgique, la France, etc., Procés-Verbaux, Séance* 1, 1865, and *Documents Relatifs à la Question Monétaire*, pp. 206 *et seq.*

suggestion France called the first convention of the Union. Belgium made three demands:

(1) A monetary system based on a single standard.

(2) A maximum of tolerance for the loss coming from wear, with the stipulation that every piece inferior to this maximum shall cease to have any character of legal money.

(3) A five-franc piece reduced to the fineness of 835 and thus placed on the same footing as fractional money.

In view of the study we have just made of antecedent circumstances these demands are not hard to understand. No comment on them is necessary. The text of the treaty of 1865 furnishes the data by which to judge of their success.[1]

H. PARKER WILLIS.

[1] *Vide* LAUGHLIN, *History of Bimetallism in the United States*, Appendix, p. 245, for text of treaty.